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STATEMENT

PROPERTY CASUALTY INSURERS ASSOCIATION OF AMERICA (PCI)

S.B. No. 278 – AN ACT CONCERNING RESTRICTIONS ON INSURERS FOR ADVERSE WEATHER-RELATED EVENTS

COMMITTEE ON INSURANCE AND REAL ESTATE

March 11, 2014

The Property Casualty Insurers Association of America (PCI) appreciates the opportunity to comment on Senate Bill No. 278. PCI is a national property casualty trade association comprised of over 1,000 member companies, representing the broadest cross-section of insurers of any national trade association. PCI member companies write 49% percent of all personal lines insurance sold in Connecticut.

S.B. 278 would amend a law passed only last year (Public Act 13-138) which prohibits insurers from declining, cancelling or nonrenewing a homeowners policy based solely on a loss incurred as a result of a catastrophic event as declared by a nationally recognized catastrophe loss index provider. The changes proposed by this bill would broaden the provisions enacted just last year to such a degree so as to decimate the ability of insurers to underwrite based on losses caused, to any degree, by weather. This is highly objectionable, as it is contrary to the basic risk based principles upon which insurance is priced and sold.

Losses caused by weather-related events make up a large share of all homeowners claims and prior losses have been shown to be predictive of future losses. Wiping the slate clean regarding these losses is not fair because it will lead to consumers who have not had weather related losses having to subsidize the premiums of consumers who have had weather related losses. Unlike the current law which is tailored only to prevent insurers from canceling, nonrenewing or declining to write policies based on a defined catastrophic event, this bill provides no delineation whatsoever as to what would qualify as a "weather-related event" and it seems likely that most homeowners damage claims would fall into this category.

This bill also goes further than current law in that it prevents insurers from charging an appropriately increased premium for properties with weather related event claims. Not only would this lead to inequitable premium subsidization, but it also removes any incentive for homeowners to employ loss mitigation measures to minimize weather related losses because their premiums would not increase if they sustained weather related losses. As the Northeast continues to experience more severe weather events, homeowners should be encouraged to employ mitigation measures so as to reduce losses and speed recovery. This bill would take CT in the wrong direction in this regard and would represent a major

step backward in efforts to encourage homeowners to make their homes more weather resistant.

This bill would also amend provisions from Public Act 13-138 which prohibited cancellation or nonrenewal of homeowners policies based solely on inquiries made or claims with payment of less than \$500. The current law contains an important provision which maintains the ability of insurers to take action in repetitive loss situations and this bill would remove this provision. Repetitive losses are highly predictive of future losses and insurers need to be able to take such losses into account as they make determinations relative to whether or not to insure a home. By removing this important information from the information that an insurer may consider when determining whether to insure a home, this bill hinders the ability of insurers to make appropriate underwriting decisions and manage their risk.

As a general rule, when insurers are able to properly underwrite risks, consumers benefit with lower rates, more choices and greater market stability. This bill would greatly hinder the ability of insurers to properly underwrite risks in Connecticut.

For all of the foregoing reasons, PCI urges the committee NOT to advance this bill.